



Product Support Manager (PSM) Conference

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November 3, 2011**



Five Strategic Thrusts

Supporting Current Operations

Mandating Affordability Reqs

Improving Efficiency in Acquisition

**Better
Buying
Power**

Strengthening the Industrial Base

Strengthening the Acquisition Workforce



Acquisition Efficiency Guidance Roadmap

- **Target Affordability and Control Cost Growth**
- **Incentivize Productivity & Innovation in Industry**
- **Promote Real Competition**
- **Improve Tradecraft in Acquisition of Services**
- **Reduce Non-Productive Processes and Bureaucracy**

Examples:

- **Published the Better Buying Power Initiative white paper and implementing memorandums**
- **Established the Business Senior Integration Group to guide implementation**
 - **This is about continuous improvement – NOT a one time event**



Target Affordability and Control Cost Growth

- **Mandate affordability as a requirement**
- **Implement “should cost” based management**
- **Eliminate redundancy within warfighter portfolios**
- **Achieve Stable and economical production rates**
- **Manage program timelines**

Example:

- **Ohio Replacement Program:** The Navy's initial estimate for the replacement submarine unit cost was \$6B-\$7B. The Navy recognized this as unaffordable and spent 6-12 months making numerous requirement trades (such as diameter of sub and number of missile tubes) and looking at other ways to reduce the cost before MS A for the program. At MS A in December 2010, USD(AT&L) established affordability targets for the program that included the average unit end cost (of subs 2-12) target of \$4.9B and an average annual Operations and Sustainment cost target of \$110M. To achieve this "should cost" objective, key efforts include: 1) reducing OHIO Replacement unique design features so that there is an increased use of VIRGINIA-Class and SEAWOLF-Class components and 2) an innovative acquisition strategy that will utilize multi-year procurement contracts, reduced change orders, and early delivery of key foundation documents like ship specifications by incentivizing affordability and sustainability targets.



Incentivize Productivity & Innovation in Industry

- **Reward contractors for successful supply chain and indirect expense management**
- **Increase Use of FPIF contract type**
- **Capitalize on progress payment structures**
- **Institute a superior supplier incentive program**
- **Reinvigorate industry's independent research and development**

Examples:

- **Reinvigorate industry's research and development: ONR efforts at workshops to reach out to industry and guide research to technologies of interest**
- **Industry engagement: DASA(S&T): Planning quarterly technology engagements with industry to articulate Army's critical technology areas of interest, gaps, and priorities and encourage dialogue with industry on their IR&D efforts. Industry Technology time-frame is 3 to 5 yrs, 5 to 10 yrs and 10 to 20 yrs.**
- **Use of Small Business MaxPrac tool: The single largest barrier in identifying opportunities for small businesses is having the ability to perform market research. The Maximum Practicable Opportunity (MAXPRAC) tool allows DoD to conduct market research in real-time.**



Promote Real Competition

- **Emphasize competitive strategy at each program milestone**
- **Remove obstacles to competition**
 - **Allow reasonable time to bid**
 - **Require non-certified cost and pricing data on single offers**
 - **Enforce open system architectures and set rules for acquisition of technical data rights**
- **Increase small business role and opportunities**

Examples:

- **Family of Medium Tactical Vehicles Competition:** The Army awarded a competitive 5 year multiple year requirements contract to Oshkosh that resulted in an average cost savings of 28% over the previous sole source contract. The end result is a cost savings of an estimated \$578M over the contract period of performance.
 - **KC-X source selection utilizing Intellectual Property and Open Architecture:** The AF required offerors to competitively price all data required for Operations, Maintenance, Installation, and Training (OMIT) and non-OMIT data rights for the Government to use the data for an organic depot capability, to compete the development of the KC-46 training systems, and a reprourement package for the System Integration Lab.
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Improve Tradecraft in Acquisition of Services

- **Assign senior managers for acquisition of services**
- **Adopt uniform services market segmentation (taxonomy)**
- **Address causes of poor tradecraft**
 - **Define requirements and prevent creep**
 - **Conduct market research**
- **Increase small business participation**

Examples:

- **ARRT: To improve tradecraft in the acquisition of services templates have been developed to assist users in writing performance work statements for contract solicitations. A promising set of templates is the Automated Requirements Roadmap Tool (ARRT). The ARRT guides preparation of Performance Work Statements, Quality Assurance Surveillance Plans, and Performance Requirements Summaries. The requirements document is the single most important document in any services acquisition contract. ARRT is designed to guide the requirements developer through a logical and proven thought process to define and refine their requirement.**
- **A uniform services taxonomy has been adopted. Consists of 6 service portfolios - Knowledge-based, Facilities, IT-related, Equipment, Transportation, and Medical. Research & Development and construction related but are part of the total services spend and not managed under the component senior manager for services.**



Reduce Non-Productive Processes & Bureaucracy

- Reduce frequency of OSD level reviews
- Work with Congress to eliminate low value added statutory requirements
- Reduce the volume and cost of Congressional Reports
- Reduce non-value added requirements imposed on industry
- Align DCMA and DCAA processes to ensure work is complementary
- Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs

Examples:

- DoN reporting requirements: 74 reports are being deleted or consolidated
- Army reporting requirements: recommending elimination of 6 of 36 Army unique 'elements' (processes, reports and/or documents). Recommending modification to another 5 elements, with suggestions for 11 other elements
- Air Force reporting requirements: 32 of 114 documents (28%) were identified as "AF unique" or duplicative of other documents. Of the 32, recommending 5 be eliminated and 10 be reduced



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DAU Better Buying Power Support

DAU has a three-part support plan:

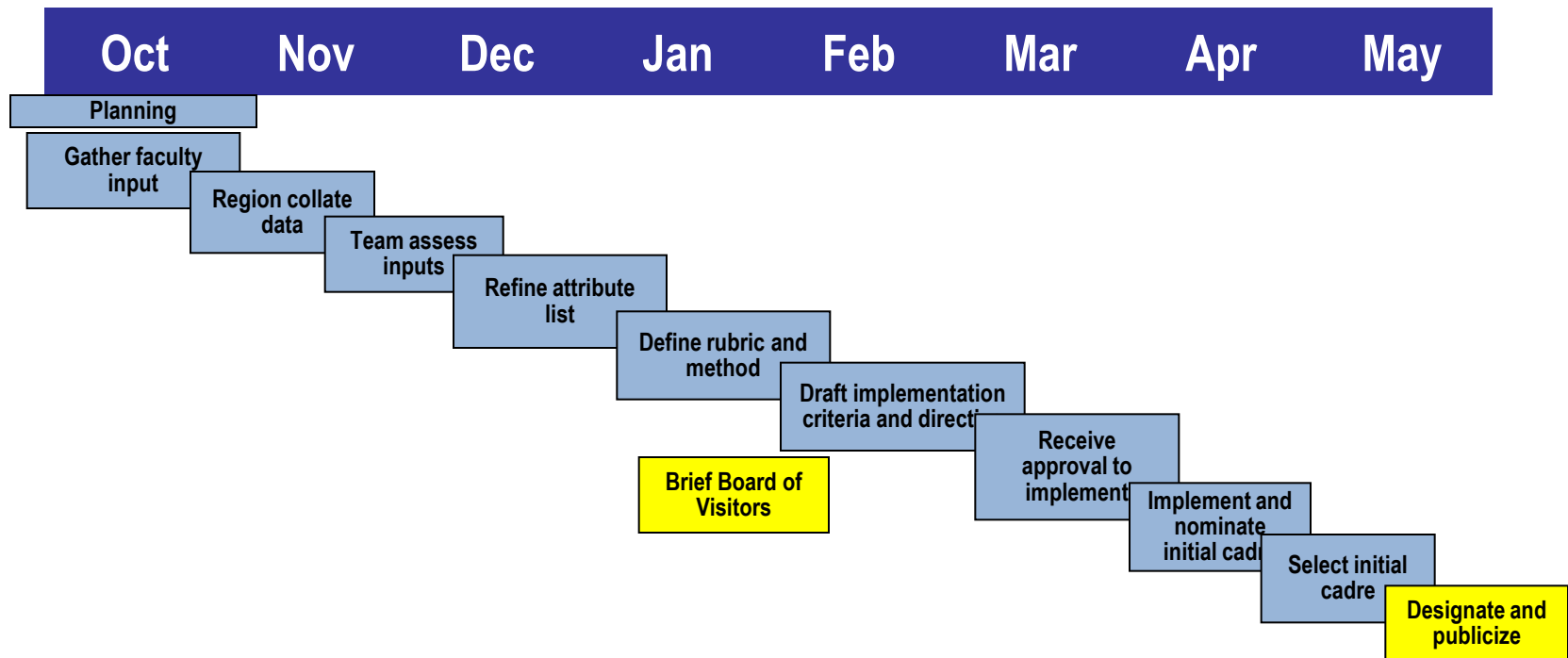
- Rapid Deployment Training (RDT):
 - Provides key information (BBP intent/purposes; examples; where to go for assistance) to Acquisition 0-6s and GS-15s
 - Provided by DAU regions and DSMC as part of Mission Assistance effort
 - Status: RDT material developed; DAU RDT teams designated; Services are designating which commands are to receive this training; when commands' lists received, DAU Regions/DSMC will work to schedule RDT sessions
- Mission Assistance (MA):
 - Provides in-depth information on specific BBP initiatives
 - Provided to acquisition organizations (via their request to DAU Regions/DSMC) as part of Mission Assistance effort
 - Status: MA BBP "reference package" developed and being provided to Service POCs for information and comment; once comments are incorporated, it will be released for use within DAU, and made directly available to the Acquisition workforce
- Curriculum Update:
 - Incorporates BBP material into DAU courses as pertinent
 - DAU LCIC will oversee this effort
 - Status: Phased updates planned throughout FY2012



Distinguished Teacher

Objective: Recognize faculty members whose skill and career achievements focus on teaching skills as recognized by the academic community by their enhancing the student outcomes.

- **Driven by the attainment of attributes that define “Distinguished Teacher”**
- **Based on classroom proficiency and demonstrated excellence in teaching**
- **Steps to success:**
 - Define attributes—create model
 - Create rubric—define measurement
 - Designate process—nomination and selection
 - Select initial cadre—”official” designation and recognition





Workforce Qualification

Vision: Everyone who touches acquisition in a meaningful way is qualified in the skill sets required to achieve successful acquisition results

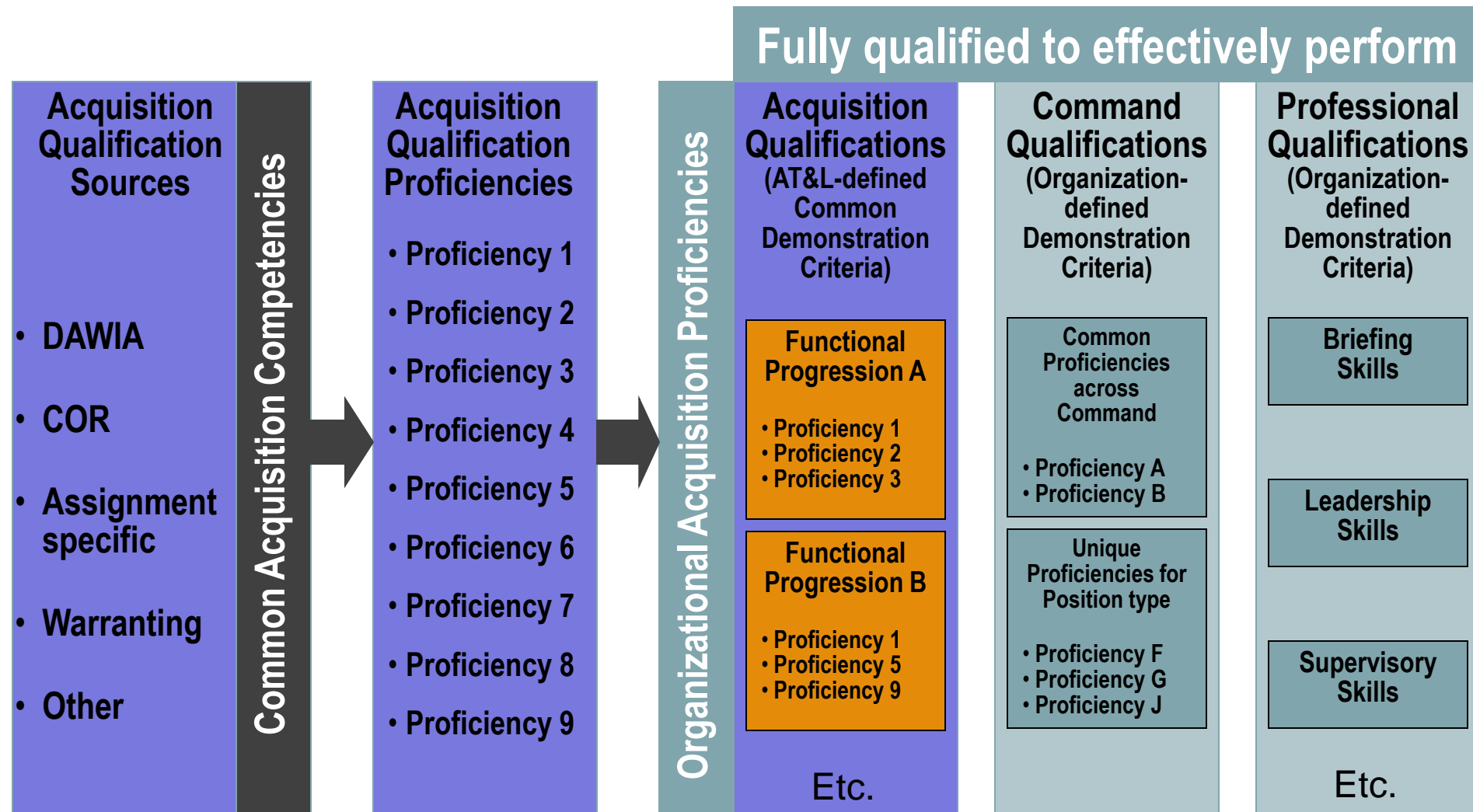
- Driven by competency requirements for a given career field and organizational functional progression
- Combines training and application (either simulation or on-the-job) with appropriate assessments to determine proficiency
- Guidelines & Guardrails:
 - Competency based – performance reference model
 - Learning on the job – learning assets
 - Measures proficiency – demonstrated competency
 - Documents qualification – credentialing
 - Organizational commitment – leadership matters



Structure / framework for demonstrating and documenting organizationally required skill sets



Qualification Framework

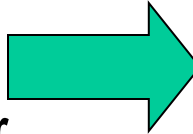




Current Status and Next Steps

Current Status

- **“Climate scan”**
 - Initial look at what is currently being done among the major acquisition organizations
- **Initial outline of project plan to scope what is required to conduct pilots and begin implementation by July 15th, 2012**
- **In process of developing briefing for functional and service leads**

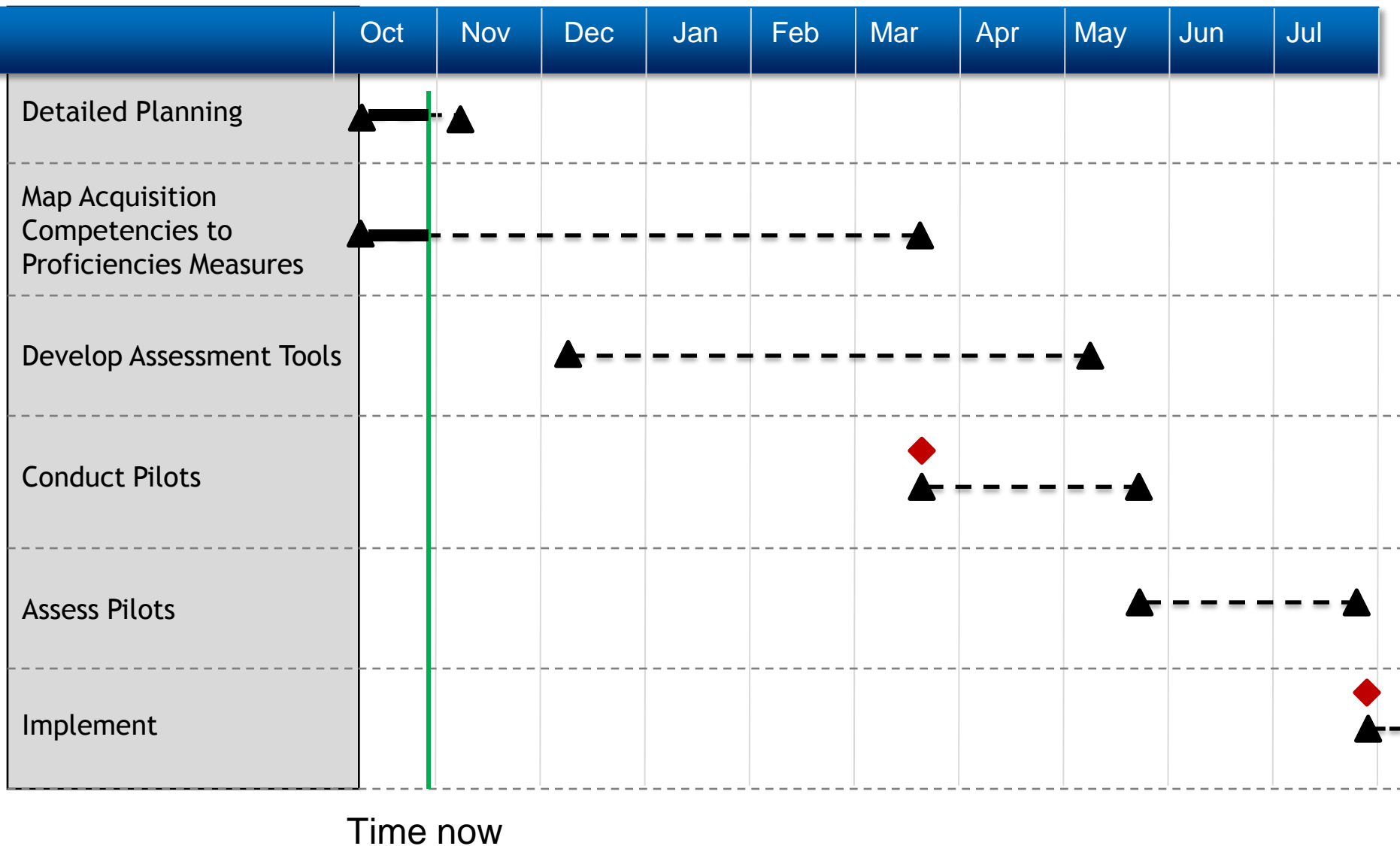


Next Steps

- **Obtain list of career field competencies and their mapping to course TLOs and ELOs (LCIC)**
- **Break competency lists into work packages**
- **Identify teams to begin defining: (Regions and DSMC)**
 - Proficiency levels for each acquisition competency
 - Measures of knowledge for each proficiency level
 - Optimum assessment technique
- **Compare material obtained during climate scan to competencies and align in the appropriate qualification type**
- **Continue climate scan**
- **Refine implementation concepts**
- **Continue detail planning for pilots**



Schedule 2011-2012





Back up



Examples: Target Affordability and Control Cost Growth

- Examining multiple designs (High, Mid, Low Band) for Next Gen Jammer
- PEO Tactical Aircraft (T) reducing redundancy (e.g. IDECM BLK IV – developed a “common” on-board jammer for Super & Legacy Hornets). PMA 272 is PMA for common Defensive EW programs across multiple type model series (TMS). PMA 234 is the common Offensive EW program manager for EA-6B and EA-18G . JPALS program implementing common data link across all TMSs/Services.
- Advanced Hawkeye E-2D Program: will provide tangible, identifiable outputs through better understanding of the cost of production with increased risk/opportunity management. Cost reduction initiatives include reduced Aircraft Build Touch Labor with reductions in fuselage and final assembly hours, minimizing learning curve adjustments and improve quality of workmanship through training as well as production work flow efficiencies. Additionally, benefits to be harvested through investments made in reducing cost include production tooling for the Rotodome, tooling to support in load of the empennage and factory floor process improvements for the aircraft build. A total investment (not limited to those listed) of \$11,548,608 will capture savings of \$118,774,492 across the entire aircraft buy. (Brian Willouby)
- Conventional Weapons Portfolio Review. A review of the weapons portfolio is being performed with a focus on 1) joint opportunities; 2) industrial base (looking for opportunities for efficiencies by aligning buys); and 3) inventories versus requirements and the needs of Combatant Commanders. This review will look across the Department to identify capability areas that have the need/potential to be significantly impacted within the POM process.
- Ground Vehicle Portfolio review is being conducted to gain a comprehensive understanding of Service' Ground Vehicle development, acquisition plans, and lifecycle management costs across the portfolio. The review will result in a unified, long term strategy describing how DoD plans to acquire and sustain an operationally relevant fleet through affordable and executable acquisition program plans.
- Ground Moving Target Indicator (GMTI) Portfolio review. Conducted GMTI Portfolio review to address multiple programs/efforts intended to provide GMTI to the warfighter. As a result of the review, the decision was made to stop procurement of Global Hawk Block 40 at 11 (\$900M in FYDP) and stop JSTARS re-engining (\$1.2B in FYDP).
- Conducted UAS Portfolio review to analyze the \$40B FYDP investment across the entire UAS portfolio. Review shaped Nunn-McCurdy review for Global Hawk and informed the reduction of Block 30 aircraft from 42 to 31 aircraft (\$1.1B most outside FYDP).
- Initial Should Cost completed for Global Hawk program which has identified potential savings/cost avoidance to date of \$495M.



Examples: Incentivize Productivity & Innovation in Industry

- Capitalize on progress payment structures: Seeking “value” in exchange for implementation of performance based payments. F/A-18 MYP III and E-2D LRIP 3/4 utilized this methodology in coordination with DPAP
- Army initiated Small Business Innovation Research portfolio Review: DASA (Research & Technology directed a review of the SBIR processes (topic generation, proposal solicitation, proposal selection, & contract award) in 2QFY11. The review prompted a revamp of the process to increase efficiency / effectiveness & decrease time. The process for FY12 will include a mechanism to better inform small businesses of the Army's critical technology gaps in each of the portfolios.
- In the past three years, reviews have been performed on over 100 different requirements including services, construction, and MDAPs. There has been improvement in the quality of the individual business deals for competitive and sole source requirements. In addition, peer reviews have enabled a cross-pollination of experience as senior leaders are exposed to the business practices / techniques employed by their sister departments / agencies. Peer reviews have also provided a means to assess effectiveness in implementing the elements of "better buying power." For example, a recent sole source review of an MDAP revealed that the program office had undertaken a thoughtful approach to develop a negotiation position for the ceiling percentage on a fixed-price incentive deal. The approach entailed a discussion with the contractor about potential risk events that might reasonably be encountered, the likelihood of those risks materializing and the estimated dollar amount associated with the potential event so that the parties could negotiate a meaningful ceiling amount. Other sole source reviews revealed a recurring pattern where contracting officers are encountering difficulty in obtaining from contractors information about actual costs incurred under similar efforts in the past. The insight gained enables senior leaders at OSD to engage and assist contracting officers in obtaining the information required to make required determinations about price reasonability. In competitive programs that have undergone peer review, there have been two recurring themes: 1) needlessly complex source selection evaluation criteria; 2) incentive arrangements that don't align to influence desired mission outcomes. Peer review teams are actively offering recommendations on specific alternatives to address these and other issues.



Examples: Promote Real Competition

- The JTRS Enterprise Business Model (EBM) is predicated upon fostering and leveraging competition in production. For the Multifunctional Distribution Information System – Low Volume Terminal (MIDS-LVT) radio program initial radios started at \$426K per unit. Since then, competition between the two approved vendor production sources, the radios have decreased steadily to a cost of only \$181K per unit, a savings of nearly 60% on each radio. With over 2600 MIDS units purchased, the total savings is approximately \$500 million. Joint Service General Purpose Mask (JSGPM) Filter Canister Additional Source: Joint PEO Chemical-Biological Defense through the RDECOM Contracting Center released a RFP for additional source(s) for spare M-61 filter canisters for the M-50 JSGPM which are now sole sourced. Qualification of an additional source introduced competition and increase surge capability. Up to 3 million filter pairs could be produced, with an estimated \$12 cost reduction per pair, for a total savings of \$36M over 5 years.
- Aeronautical Systems Center conducted a competitive acquisition for the installation of Large Aircraft Infrared Countermeasures on C-5s, which resulted in a savings of \$8.7M from previous sole-source awards. The Air Force anticipates life-cycle savings of \$27.5M.
- Air Armament Center conducted a competitive acquisition for Small Diameter Bomb II Engineering and Management Development (EMD) and Production Lots I-V, which resulted in instant savings of \$70.3M
- Navy with NGC facilitating acquisition process for new technologies into the E-2D platform. Leveraging NGC investment in Open Architecture Collaboration Center (OACC) which creates competitive market place for industry (specifically small businesses) to integrate and demonstrate their technology
- JATAS competitive prototyping source selection required open systems and provided the Government an option to procure data rights. EMD down-select required open systems
- Electronic Systems Center conducted a competitive acquisition under Fair Opportunity for Air Force Central Command Contractor Logistics Support and Reconfiguration, which resulted in two delivery orders valued at \$18.3M. Previous acquisition costs were \$28M; thus, the Air Force projected savings is \$9.7M



Examples: Improve Tradecraft in Acquisition of Services

- **MAXPRAC:** The single largest barrier in identifying opportunities for small businesses is having the ability to perform market research. The Maximum Practicable Opportunity (MAXPRAC) tool allows DoD to conduct market research in real-time.
- **Our small business directors are working close with their head of contracts and senior acquisition executives to perform deeper analysis of opportunities in areas where MAXPRAC has identified areas for us to look deeper.**
 - Specifically, the Department of Navy is using MAXPRAC to gain insight in several areas where they were under performing. MAXPRAC has allowed them the opportunity to identify areas not seen in prior years resulting with a potential of increasing small business opportunities up to 2%.
 - The Department of Army has also identified areas in micro-purchases (contract actions of less than \$3,000) that traditionally has high small business participation and noticed an opportunity to make it higher. This particular area identified by the Department of Army was shared with the Department of Navy and is now a place where both services are looking to increase small business participation for small businesses.
- **For the first time, MAXPRAC has allowed DoD to perform analytical market research on federal procurement data and leverage the data to identify tangible and meaningful opportunities. OSD Small Business has developed a small business opportunity analysis by NAICS code and compares small business spend for OSD components (and sub-components) within each NAICS category. This data is utilized for acquisition strategy planning and establishing appropriate contract level small business prime contracting and sub-contracting opportunities. This tool should assist components in improving the small business spend within the services area.**



Examples: Reduce Non-Productive Processes & Bureaucracy

- Use of consolidated Navy Gate Review process involves all stakeholders at milestones, reduces redundant reviews, streamlines and minimizes templates and adds BBP initiatives
- DCMA/DCAA Alignment
 - **Increased thresholds for cost/price proposal audits:** DCAA will no longer perform field pricing audits on cost-type proposals less than \$100M and fixed-type proposals less than \$10M.
 - **Forward Pricing Rate Agreements / Forward Pricing Rate Recommendations** DCAA will be the single Agency responsible for issuing all Forward Pricing Rate Agreements and Forward Pricing Rate Recommendations for contractors where DCMA is the cognizant contract administration office.
 - **Financial Capability Reviews:** DCAA plans to withdraw from performing Financial Capability Reviews and Audits.
 - **Purchasing System Reviews:** DCAA plans to withdraw from performing regularly scheduled Purchasing System Audits.
 - **Contractor Business System Rule:** Revised policy to clearly define DCMA/DCAA responsibility with respect to each Agency's role in assessing and determining status of the contractor's Accounting, Estimating, Earned Value Management, Material Management and Accounting, Purchasing and Property Systems.
- Over the past year we have made significant changes in the DAB process. More attention is given to ensuring the DAB is used as a senior forum for making sound investment decisions for DoD and to ensure programs are structured and resourced to succeed. Success is defined as affordable, executable programs that provide the most value achievable for the resources invested by the Department. DAB review meetings are issue focused and rely on independent assessments of systems engineering, testing, funding and affordability. They emphasize detailed technical understanding of the programs based on sound data and the nature of the business decision at hand, including contracting and incentive strategies—rather than compliance check lists or assessments of what documentation has been done. (Lower level preparatory meetings address and ensure completion and quality of the documentation required to support DAB decisions.) Documentation has also been streamlined and refocused to be more concise while providing the information necessary to support effective program planning and management decisions.
- Also we initiated robust tracking of the tasking/actions resulting from the DAB meetings (captured in ADMs) or monthly DAES meetings (captured in formal meeting minutes). This has resulted in more clearly defined tasking/actions, identification of the OSD office(s) responsible for oversight and most importantly, better accountability and focus on direction given to programs.
- During the past year, we have also restructured the DAES review process, resulting in a more focused review and assessment of MDAP and MAIS programs that are between major decision points. The monthly DAES review meeting, chaired by the PDUSD(AT&L), supplies a venue to identify and address program execution issues as early as possible and provide guidance to course correct. Four programs are selected for each review and the PEO/PMs present the programs in a standard format, which includes their progress on implementation of Better Buying Power initiatives. We have also re-initiated the use of independent OSD staff assessments of the programs across multiple dimensions of cost, schedule, and performance. We have focused attention on rectifying longstanding issues with the quality and timeliness of objective program execution data available for assessing programs, so the reviews can be fact based and data driven.